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1972 Annual report of  
the Teachers'  
Retirement System  
to the Governor of  
Montana ... for

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ANNUAL REPORT  
of the

TEACHERS' RETIREMENT SYSTEM

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to the

GOVERNOR OF MONTANA  
HONORABLE FORREST H. ANDERSON

for the  
FISCAL YEAR ENDED June 30, 1972

PLEASE RETURN



# The Teachers Retirement System



## State of Montana

1500 Sixth Ave. Phone 406-449-3134  
HELENA, MONTANA 59601

### MEMBERS OF THE BOARD

JAMES E. BURKE, Livingston, Chairman  
PAUL D. CARUSO, Helena  
JAMES N. DENNEHY, Butte  
LORENCE B. SIMONSEN, Glendive  
DOLORES COLBURG,  
State Supt. of Public Instruction

ALTON P. HENDRICKSON, Executive Secretary  
OWEN L. MORRIS, JR., Asst. Executive Secretary

October 31, 1972

The Honorable Forrest H. Anderson  
Governor of Montana  
Helena, Montana 59601

My dear Governor:

In accordance with the requirements of Section 82-4002 R.C.M. 1947 there is herewith transmitted to you the report of The Teachers' Retirement System covering the fiscal year ended June 30, 1972.

Major accomplishments during the year included:

- (1) Completion of an actuarial valuation of the system.
- (2) Review and improvement of administrative policies.
- (3) Publication and distribution to the members of a comprehensive "Handbook of Information" of the system.
- (4) Partial implementation of the statewide Budgeting and Accounting System.

During the year, The Teachers' Retirement System paid \$5,894,000 in benefits including retirement, disability and survivor's benefits. Also, \$986,000 was refunded to members who left the teaching profession and requested withdrawal of their contributions.

Our assets have increased \$8,049,000 to \$74,311,000. The net yield on investments increased 38 basis points to 6.12 per cent.

Respectfully submitted,

A handwritten signature in blue ink, reading "Alton P. Hendrickson".

Alton P. Hendrickson,  
Executive Secretary



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PRINCIPAL OFFICES AND OFFICERS

THE TEACHERS' RETIREMENT SYSTEM

<u>MEMBER</u>	<u>TERM</u>	<u>ADDRESS</u>
James E. Burke, Chairman	7/1/68 - 7/1/76	216 South 5th Livingston
Paul D. Caruso	7/1/69 - 7/1/73	1419 Winne Helena
James N. Dennehy	7/1/70 - 7/1/74	725 Zarelda Butte
Lorence B. Simonsen	7/1/71 - 7/1/75	River Road Glendive
Dolores Colburg State Supt. of Public Instruction		State Capitol Helena

PRINCIPAL ADMINISTRATIVE OFFICERS

Alton P. Hendrickson	Executive Secretary
Owen L. Morris Jr.	Assistant Executive Secretary

OFFICE LOCATION

1500 - 6th Avenue, Helena 59601



#### LEGAL REFERENCES

The statutes relating to the establishment and operation of The Teachers' Retirement System are contained in Sections 75-6201 through 75-6218 of the Revised Codes of Montana, 1947.



### PRINCIPAL GOALS

The Teachers' Retirement System exists to improve the educational system of the State by providing financial income to teachers who are retired by reason of service or disability, and to provide survivor benefits in the event of death before retirement.



## MAJOR ACCOMPLISHMENTS

### SUMMARY

#### ACCOMPLISHMENT

1. Completion of an actuarial valuation of the system.
2. Review and improvement of administrative policies.
3. Publication and distribution to the members of a comprehensive "Handbook of Information" of the system.
4. Partial implementation of the statewide Budgeting and Accounting System.





## MAJOR ACCOMPLISHMENTS

### Description

1. Actuarial Valuation:

There was no evidence that a complete actuarial valuation of the system had ever been conducted. For this reason the actuary conducted such a valuation. It is intended that a valuation will be conducted biennially.

2. Review and correction of administrative policies and practice:

All administrative policies and practices of the System were reviewed and evaluated. Those found to be inconsistent with the current statutes or inequitable were changed by the Retirement Board within the limits of the law.

3. Publication and Distribution of a "Handbook of Information" of the Teachers' Retirement System:

A comprehensive information handbook encompassing the provisions of the law effective July 1, 1971 was prepared and distributed to all members of the System.

4. Partial Implementation of the statewide Budgeting and Accounting System:

In accordance with directives from the Director, Department of Administration, steps were taken to implement the statewide Budgeting and Accounting System.



## PROGRAM DESCRIPTION

### GOALS:

Improve the educational system in the State by providing a financial program with retirement, disability, and survivors' benefits for teachers.

### OBJECTIVES:

Maintain a sophisticated program of low-risk favorable yield investments with sufficient liquidity to meet operational and benefit requirements.

Increase operating efficiency by utilizing modern management techniques.

Offer assistance to the members of the teaching profession as required.

### ACHIEVEMENTS:

Increased the total assets of the System by \$8,049,000.

Increased the yield of assets from 5.74% to 6.12%.

Completed an actuarial valuation of the system.

Reviewed and improved administrative policies.

Published and distributed a comprehensive handbook of information.

Implemented partially the statewide Budgeting and Accounting System.



### PERFORMANCE INDICATORS

Teachers' contributions have remained stable since 1937 at 5% of salaries earned. The employer contribution rate has increased through the years from 3.5% to 5.125%.

The following factors reflect the performance of the Teachers' Retirement System:

<u>Factor</u>	<u>Quantity</u>	<u>Trend</u>
Assets	\$ 74,311,000	Increasing
Percentage yield on assets	6.12%	Increasing
Benefits paid	\$ 5,894,000	Increasing
Teachers requesting refund	1,334	Stable
Teachers' contributions refunded	\$ 986,000	Stable
Membership	14,391	Increasing



PROGRAM COST DETAIL  
for year ended JUNE 30, 1972

<u>OBJECT OF EXPENDITURE</u>	<u>1971-72</u>	<u>1970-71</u>	<u>Increase (Decrease)</u>
Personal Services	65,381.24	58,880.73	5,500.51
Operating Expenses	61,676.56	38,801.33	22,875.23
Capital Expenditures	3,024.28	8,459.20	(5,434.92)
Grants & Benefits	<u>6,879,963.41</u>	<u>5,772,780.95</u>	<u>1,107,182.46</u>
	7,010,045.49	5,879,922.21	

SOURCE OF FUNDING

Contributions from (1) Teachers & Employers	11,676,470.41	10,613,189.11	1,063,281.30
Earned Income (2)	<u>3,382,990.42</u>	<u>3,545,321.56</u>	<u>(162,331.14)</u>
	<u>15,059,460.83</u>	<u>14,158,510.67</u>	
Increase in assets (3)	8,049,415.34	8,278,588.46	

(1) \$511,000.00 accrued as contributions receivable in prior year. No contributions receivable accrued in current year due to accounting system problems.

(2) \$792,000.00 accrued as earned income receivable in prior year. No earned income receivable accrued in current year due to accounting system problems.

(3) Not directly comparable to prior year report due to audit adjustments; the net effect of which decreased assets stated in prior year report by \$751,000.00.





BALANCE SHEET  
as of JUNE 30, 1972

ASSETS

Cash in Treasury	
- Agency Fund (908900)	\$ 1,091,584.57
- Earmarked Revenue Fund (207700)	9,730.35
- Fullam Fund (930700)	7,579.64
Accounts Receivable	
- Agency Fund	477.00
- Fullam Fund	317.50
Investments	
- U.S. Government Guaranteed Securities	659,834.36
- Public Utilities Bonds	21,513,817.64
- Corporate Bonds	19,031,271.15
- Railroad & Equipment Trust Bonds	5,748,833.43
- Guaranteed Mortgages	25,164,233.60
- Short-term (Commercial Paper)	898,212.50
- Common Stock (Fullam Fund)	17,553.16
Unamortized Mortgage Discount	(18,735.25)
Office Machines & Appliances *	43.00
Furniture & Fixtures *	342.00
Maintenance Equipment *	5.00
Office Building (Less Depreciation)	150,564.01
Land	35,376.00
TOTAL ASSETS	<u>\$ 74,311,039.66.</u>

LIABILITIES:

Accounts Payable	317.50
Annuity Savings Fund	45,245,525.70
Pension Accumulation Fund	18,376,029.12
Annuity Reserve Fund	10,215,246.31
Pension Reserve Fund	448,470.73
Fullam Fund Balance	25,450.30
Total Liabilities	<u>\$ 74,311,039.66</u>

\* These accounts are for control purposes only. They give nominal recognition to the existence of Fixed Assets which were recorded as expense at the time of purchase.





